
OFFICE OF THE ALBANY CITY TREASURER

DATE: November 13, 2017

TO: Hon. Kathy M. Sheehan
Members of the Common Council

FROM: Hon. Darius Shahinfar

CC: Rachel McEneny, Mike Wheeler

RE: 3rd quarter 2017 Performance

The following is a summary of the unaudited results for the 3rd Quarter 2017. Fiscal performance was stable and well within overall budgetary expectations for 2017. Some notable outliers are sales tax revenue (which was down and which we are watching closely) and increases in overtime and worker's compensation expenses.

Revenue in the third quarter of 2017 totaled almost \$133.8M (nearly \$7.5M more than the same period last year, largely because the \$12.5m from NYS was paid all at once), while expenses totaled almost \$129.7 million (including retirement), an increase of nearly \$2.9M compared to the third quarter of 2016, largely because of higher workers' comp, demolition expenses and debt service.

REVENUE (Thousands)

	Sept	Sept		%	Sept	Annual		%
REVENUE	YTD 17	YTD 16	Variance		YTD 17	Budget	Variance	Budget
PROPERTY TAX	57,602	56,595	1,007	2%	57,602	57,700	(98)	100%
SALES/USE TAX	24,652	24,762	(110)	0%	24,652	34,112	(9,460)	72%
PILOTS/19-a	12,215	16,947	(4,732)	-28%	12,215	20,429	(8,214)	60%
OTHER LOCAL SOURCES	2,047	1,780	267	15%	2,047	3,169	(1,122)	65%
LANDFILL	6,664	8,933	(2,269)	-25%	6,664	7,253	(589)	92%
OTHER DEPARTMENTS	4,053	4,703	(650)	-14%	4,053	5,647	(1,594)	72%
INTER GOVERNMENT	201	177	24	14%	201	235	(34)	86%
FINES	3,310	3,548	(238)	-7%	3,310	5,204	(1,894)	64%
LICENSES AND PERMITS	3,710	2,197	1,513	69%	3,710	4,486	(776)	83%
STATE AID	15,011	2,440	12,571	515%	15,011	29,559	(14,548)	51%
SALE P/COMP/LOSS	225	268	(43)	-16%	225	401	(176)	56%
MISCELLANEOUS	3,522	2,870	652	23%	3,522	8,396	(4,874)	42%
OTHER	581	117	464	397%	581	1,132	(551)	51%
DEBT RESERVE	0	1,000	(1,000)	100%	0	1,000	(1,000)	0%
TOTAL REVENUE	133,793	126,337	7,456	6%	133,793	178,723	(44,930)	75%

The chart above summarizes the City's sources of revenue through September 30, 2017, and the figures are largely within budget expectations.

1. **Property Tax revenue** was higher than last year by slightly over \$1.0M as result of the expansion of the tax base and under budget at the end of the third quarter as a result of paying assessment reductions by the end of the quarter.
2. **Sales Tax revenue** decreased by \$110,000 from last year and was slightly below budget at 72% for the year in the third quarter. This item bears watching as a \$500,000-\$1M reduction in this revenue line is possible without a rebound in County sales.
3. **PILOTS/19-a revenue** was 28% lower, or a little over \$4.7 million less than the same period last year. Most of the decrease is due to the City receiving half (\$6.25 million) of the \$12.5 million in additional 19-a money from the State by this time last year, but which is paid into State Aid this year.
4. **Other Local sources revenue** increased 15% from the third quarter of 2016. Interest fees on late property taxes increased by almost \$235,000 and utility gross receipts increased almost \$46,000. OTB receipts were lower by \$28,000 mostly from receiving the August payment in early October.
5. **Landfill revenue** decreased 25% or almost \$2.3 million compared to the same period last year. As anticipated, tipping fees decreased by just over \$1.8 million from commercial and municipal customers and contaminated soil decrease by \$431K. However, revenue is at 92% of budget for the year and should end the year above estimates with another quarter remaining in 2017.
6. **Other Departmental revenue** was 14% (\$650K) lower than last year at this time. Waste collection fees decreased by \$259,000 which is related to billing corrections and lower collections compared to the previous year, golf fees were lower by over \$200,000, golf cart and range fees were down by over \$141,000 but will increase when September's revenue reports are posted. Rental registries were down \$68,000, and APD Event Security revenue decreased by almost \$30,000.
7. **Fines and Forfeitures revenue** decreased by 7% from last year. Parking ticket fines and surcharges combined for an estimated \$2.6 million which is about the same as last year. (This is estimated because not all quarterly revenue is posted yet due to the changeover in ticketing systems.) Traffic violation fines were down by over \$305,000.
8. **Licenses and Permits revenue** increased 69% (\$1.5M) compared to the same period last year. Most of the increase is from the timing of billing demolition fees (\$1.6M) on the new ERP system, street opening revenue

increased by \$265K and plumbing permit revenue increased by \$127K. Parking permit revenue decreased by almost \$43K from a four month lag in reporting also due to a changeover in ticketing systems. Safety inspection permits decreased by \$90K.

9. **State aid** – Increased by \$12.6 million. The majority of the increase \$12.5 million is from the State making a first time payment for Capital City Funding.
10. **Miscellaneous revenue** increased \$652,000 or 23% from last year at this time. Refund of prior expenses increased by \$923,000, health insurance reimbursements increased by almost \$25,000, while self- insurance recoveries decreased \$74,000 and refund of prior year recycling expenses decreased by \$246,000.
11. **Other revenue** increased by \$464,000 compared to the same period last year. The city received over \$456,000 from a SAFER Grant for the fire department. Most of the revenue in this category is derived from federal government grants and the timing of these payments varies from one year to the next.

DISBURSEMENTS

Category	Sept YTD 17	Sept YTD 16	Variance	%	Annual Budget	Variance	%
Personal Benefits	57,807,236	55,727,000	2,080,235	3.7%	75,715,045	(17,907,809)	76%
Fringe Benefits	28,978,353	28,870,743					
Retirement Estimate	<u>7,500,240</u>	<u>8,230,657</u>					
	36,478,593	37,101,400	(622,807)	-1.7%	52,004,971	(15,526,378)	70%
Non-Personal Service	<u>35,372,766</u>	<u>32,962,810</u>	<u>2,409,956</u>	<u>7.3%</u>	<u>51,056,716</u>	<u>(15,683,950)</u>	<u>69%</u>
Use of Debt Reserve	0	1,000,000	(1,000,000)	-100.0%	1,000,000	(1,000,000)	0%
Total	129,658,595	126,791,210	2,867,384	2.3%	179,776,732	(50,118,137)	72%
Number of weeks in period	39	40	-1		52		75%

Total disbursements increased by slightly over \$2.8M or 2.3% compared to the same period last year. Spending was up in Personnel Benefits and Non-Personal Services compared to 2016. While Fringe Benefits were lower at the

end of the quarter when estimated retirement expenses are included, Fringe Benefits and Non-Personal Services remain under budget thus far for the year.

1. **Salary expense increased by almost \$2.1M or 3.7%** compared to the same period last year. The Fire department was up by \$1.4 million from salary increases related to new hires and contract settlements and the Police department increased by \$865,000 from 2016. Most of the other City departments were at similar levels or had slightly lower salary expenses for the quarter. Contract settlements have moved and will move these numbers higher by the end of the year. At year end an adjustment will also be made as about \$500k in sick leave pay for AFD was allocated to salary and should be allocated to benefits.
2. **Benefits Expenses decreased by \$622k or 1.7%** from 2016. This category was still below budget for the quarter at 70%. Most of the decrease in this category was from retiree health insurance which decreased (\$1.3M) while active employee's health insurance expense increased by (\$569K). Worker's compensation expenses increased by (\$868K). The retirement expense estimate is lower by (\$731K) based on a reduced anticipated cost for 2017, and about \$500k will be adjusted into these lines from sick pay misallocated to salary at year end.
3. **Non-Personal Service spending increased by slightly more than \$2.4 million or 7.3%.** Not including encumbrances this category was lower than budgeted, at 69% by the end of this quarter. This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. This quarter saw increases over last year in the following areas: for DGS, gasoline expense (\$142K), demolitions expenses (\$593K); Special Events expenses increased by (\$197K) and debt service expenses increased by \$1.8M from making the first payments on the 2016 bonds this year. However equipment expenses decreased (\$110K). Because the timing of debt service payments is different than last year, most of the overall increase in Non-Personal service will even out by year end.
4. **Encumbrances (funds reserved for purchases) increased by almost \$350K** compared to the same period last year. Encumbrances total almost \$4.5M at the end of the quarter.

OVERTIME

Department	2017	2016	Change	%	2017	Budget	% of Budget
Police (non-reimbursable)	3,843,373	3,717,580	125,793	3%	3,843,373	4,050,000	95%
Fire	661,229	781,872	(120,643)	-15%	661,229	439,000	151%
Communications	223,267	162,668	60,599	37%	223,267	175,000	128%
Parks Maintenance	146,441	116,614	29,827	26%	146,441	185,000	79%
Waste Collection	184,217	133,625	50,592	38%	184,217	205,000	90%
Landfill	111,771	70,514	41,257	59%	111,771	151,000	74%
Central Maint.	32,549	30,221	2,328	8%	32,549	70,000	46%
Street Maintenance	218,794	154,868	63,926	41%	218,794	270,000	81%
Recreation	8,317	10,177	(1,860)	-18%	8,317	12,000	69%
Traffic Engineering	29,757	27,962	1,795	6%	29,757	45,000	66%
Capital Hills	18,673	16,376	2,297	14%	18,673	26,000	72%
Fleet Maintenance	22,659	4,754	17,905	377%	22,659	26,000	87%
Bleeker Stadium	0	95	(95)	-100%	0	600	0%
Buildings	63,515	59,811	3,704	6%	63,515	50,000	127%
DGS Administration	639	893	(254)	-28%	639	2,500	26%
Control of Animals	8,114	5,608	2,506	45%	8,114	9,000	90%
Special Events	10,543	12,578	(2,035)	-16%	10,543	15,000	70%
General Fund	5,583,858	5,306,216	277,642	5%	5,583,858	5,731,100	97%
Police (reimbursable)	903,720	891,127	12,593	1%	903,720	1,200,000	75%
Traffic Eng. (reimbursable)	0	224	(224)	0%	0	500	0%
Water	402,948	528,123	(125,175)	-24%	402,948	580,000	69%
Totals	6,890,526	6,725,690	164,836	2%	6,890,526	7,511,600	92%

General Fund overtime was at 97% of the budget at the end of the third quarter. Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was 5% or almost (\$278K) higher than the same period last year.

The Police department had the biggest increase in overtime payments which were up by almost \$126K. Street Maintenance increased by almost \$64K, which was related to the additional work required for snow removal this past winter. The Fire department decreased by over \$120K and posted its lowest 3Q OT since 2012, but ended the quarter at 151% of budget. The majority of departments have higher overtime expenses this year than last year.

CASH



The City's cash position was 19% more than forecasted and \$6.4M higher than the same period last year. Most of the increase is related to the City receiving \$12.5M from the Capital City Funding payment for the first time. Some of this increase was offset by paying out more for payroll costs from converting back to a 52 week pay period from a 53 week pay period last year and for labor contract settlement related increases.

CONCLUSION

The City's revenues for the quarter totaled almost \$133.8 million a \$7.5 million increase over last year primarily related to receiving the \$12.5 million for Capital City Funding. Expenses totaled \$129.7 million and increased by almost \$2.9 million compared to 2016, mostly as the result of increases in fire department and police department salaries, overtime expenses, worker's compensation expenses, demolition expenses and debt service expenses.

Thus far, there are no major surprises for 2017 and the City is largely moving forward as expected financially. The City will have to continue to watch expenses closely, particularly overtime, and try to control them as much as possible, while continuing to push for revenue increases where it can locally, and at the State level where a permanent solution for the revenue gap caused by tax exempt properties remains the goal.